

The federal and provincial deductions on the pay statement are income tax payments. The amount of income tax you pay varies according to your personal circumstances and the province/territory in which you live.

When you begin a new job, your employer requires you to complete a TD1 form (Personal Tax Credits Return) to determine the amount of income tax you should pay. From your TD1 exemption claims, you determine your claim code, which your employer uses to calculate your tax deductions. Many people are only able to claim the basic personal exemption, which is TD1 claim code 1.

In addition to paying taxes, many people pay amounts from their gross pay for a wide range of benefits and programs, such as dental plans and savings plans.

What are some pros and cons for having deductions like these made directly from your paycheck?

When all deductions have been made, the amount remaining—the net pay—is paid to the employee.

What is EI? (Research)

- What does EI stand for?
- People receive EI benefits for various reasons. List 4 reasons.
- What percentage of a person's pay goes towards EI?
- What is the maximum amount paid into EI in one year?

What is CPP? (Research)

- What does CPP stand for?
- People receive CPP benefits for various reasons. List 3 reasons.
- What percentage of a person's pay goes towards CPP?
What is the exemption amount?
- What is the maximum amount paid into CPP in one year?

Research Federal Income Tax:

- What government receives our federal income tax?
- List 4 things that our federal tax dollars are used to pay for.

Research Provincial Income Tax:

- What government receives our provincial income tax?
- List 4 things that our provincial tax dollars are used to pay for.

Research

What are other deductions a person might have taken out of their pay?

Formulas

Employment Insurance

$$EI = 1.88\% \times \text{Gross Pay}$$

$$= 0.0188(\text{Gross Pay})$$

Canadian Pension Plan

$$CPP = 4.95\% \times (\text{Gross Pay} - \$3500 \div \# \text{ of pay periods})$$

$$= 0.0495(\text{Gross Pay} - \$3500 \div \# \text{ pay periods})$$

Calculate the EI and CPP for a weekly gross pay of \$543.

EI

CPP

Calculate the EI and CPP for a bi-weekly gross pay of \$1235.

EI

CPP

Calculate the EI and CPP for a monthly gross pay of \$3875.

EI

CPP

You Try

Calculate the EI and CPP for the following:

- o Weekly gross of \$732
- o Biweekly gross of \$1678
- o Monthly gross of \$2479

Reminder:

Baby sitting assignment due tomorrow.